

15 October 2008

A presentation to the 2nd Annual Meeting of RiverCity Motorway Group by the Chairman, Mr Robert Morris.

Introduction

Good afternoon ladies and gentleman.

My name is Bob Morris and I will chair today's meeting.

On behalf of the Board of Directors I would like to thank you for taking the time to join us here this afternoon, whether you are here in Brisbane or watching the meeting online.

I would like to firstly introduce our two senior executives on stage with me today: Chief Executive Officer – Flan Cleary and Chief Financial Officer – Christine Hayward.

I would also like to welcome my fellow Directors: John Barry, Peter Hollingsworth, Ken MacDonald, Fritz Syvertsen, Peter Hicks and Bernard Rowley.

I am also pleased to welcome Scott Guse, Audit Partner from KPMG.

We will all be available at the conclusion of the meeting to talk with you individually should you have any particular issues or questions.

<Bob will then outline the proceedings for the meeting>

Fundamentals underpinning our long-term success

Today I will be addressing both the excellent progress we have made during 2008 as well as the difficult distribution decision.

Before doing so, I would like to briefly touch on 8 key factors that continue to underpin the long-term success of our business:

1. Brisbane remains the fastest growing city in Australia. Despite the existing global uncertainty, Brisbane is well positioned to continue growing in terms of population, employment and household incomes.
2. Brisbane is also one of the most decentralised capital cities in Australia with major residential areas, industrial areas and shopping centres located on both sides of the Brisbane River.
3. And much like Sydney's Harbour, the Brisbane River represents an enormous barrier for some 400,000 motorists seeking to cross the river every day.
4. Brisbane residents also remain highly dependent on cars. This is highlighted by the fact that motor vehicle registration in Queensland is continuing to surpass population growth.

5. Excellent connectivity is another key characteristic of our tunnel. Our tunnel will link with six major roads that carry high volumes of traffic. We will, therefore, be a very important part of the future road network in Brisbane.
6. Our toll road will also provide genuine and compelling travel benefits for motorists. We will offer faster, easier, safer and more reliable travel for motorists.
7. As well as providing improved travel, motorists using our tunnel will also be paying almost 50% less on a per kilometre basis than motorists using comparable tunnels in Sydney and Melbourne.
8. Finally, the Group has long-term and competitive financing in place until 2014.

All of these factors demonstrate that the fundamentals for our business remain strong.

Highlights 2008

I would like now to comment on the progress made during 2008.

On behalf of the Board I am pleased to report that construction continues ahead of schedule, our tolling system and business operations are well advanced and Brisbane's population, employment and traffic growth remain in line with expectations.

Excellent construction momentum throughout the year saw construction expenditure reach \$1 billion in September 2008.

Last year, I reported that manufacture of the project's two tunnel boring machines was proceeding ahead of schedule.

This year, I am pleased to report that the project's two tunnel boring machines have each completed more than 2 kilometres of tunnel, or 50 percent of their total journey.

Most importantly, both machines have now completed tunnelling 60 metres below the Brisbane River.

By its nature tunnelling below a major body of water presents a higher level of construction risk. It is therefore very significant for the project that we have this key construction milestone behind us.

Construction risks have also reduced significantly above ground. 16 of 18 bridges are now substantially complete.

In line with our stated timetable, we remain on target to complete all bridges by the end of 2008.

Delivery of the tolling system has also progressed well. Both the tolling system back office and roadside tolling equipment are more than 50 percent complete.

During the year, the Group also launched a new brand and identity for our tunnel – the CLEM7. This new name honours legendary Brisbane Lord Mayor Clem Jones and identifies our new motorway number the M7.

Population and employment growth

At a macro level, Brisbane's population and employment growth continue in line with expectations.

Long-term growth in the suburbs adjacent to our tunnel is being driven by major urban renewal plans being progressed by the Queensland Government and Brisbane City Council.

In August 2008, Queensland Premier Anna Bligh released a draft plan for the Bowen Hills Urban Development Area.

This blue print identifies 4,500 new dwellings to cater for an additional 10,000 people. It also proposes 400,000 square metres of new office space supporting more than 20,000 jobs.

In September 2008, Brisbane City Council passed the draft Woolloongabba Centre Neighbourhood Plan.

This plan aims to manage Woolloongabba's transition from a light industrial area to a high density employment and residential node.

Growing demand for road infrastructure

Brisbane's inner city urban renewal is very important to our business as it will drive long-term demand for our toll road.

The excellent progress of Brisbane Lord Mayor Campbell Newman's TransApex ringroad highlights the city's ardent appetite for new road infrastructure.

In August 2008, construction commenced on the Hale Street bridge.

Construction will commence later this year on the Airport Link tunnel.

Expressions of Interest have been submitted for the Northern Link tunnel and tenders are expected to be submitted next year.

Airport Link is a 6.7 kilometre underground toll road that connects the growing northern suburbs of Brisbane and the Airport to the northern end of our tunnel.

The connection of Airport Link at the northern end of the CLEM7 tunnel improves the integration of our project with the major road network of Brisbane.

The Pacific Motorway, CLEM7 tunnel and the Airport Link will provide a continuous freeway standard artery linking both sides of the Brisbane River.

The CLEM7 and the Airport Link along with connection to the Inner City Bypass and the Pacific Motorway is a road network improvement that will transform the way Brisbane residents move about the inner city.

Traffic growth in line with forecasts

RiverCity Motorway continues to undertake half-yearly traffic surveys on the key roads adjacent to our tunnel, as well as the existing river crossings.

Our most recent survey showed continuing high demand from motorists seeking to travel north and south of the Brisbane River

Between 2005 and 2008 traffic volumes on Brisbane's three major river crossings increased.

The biggest increase in traffic volumes was on the Gateway Bridge, which was up 13% to approximately 98,000 vehicles per day.

The Story Bridge, which runs directly above our tunnel carried an average of 104,000 vehicles per day during the recent 2-week survey, an increase of 7.9% since 2005.

Meanwhile, traffic growth remains constrained on the Captain Cook Bridge which carried an average of 135,000 vehicles per day during the period, an increase of 0.5% since 2005.

The results of our traffic surveys reinforce confidence in our expert forecasts, despite traffic volumes on some of our feeder roads being impacted by our construction works.

Suspension of distributions until the start of operations in 2010

I would like now to comment on the Board's recent decision to suspend distributions during the Fixed Distribution Period.

Suspending distributions until after the start of tolling operations was regrettable and one that we understand has been disappointing for many of our investors.

As noted in our Public Disclosure Statement, the Directors had intended the payment of distributions during the Fixed Distribution Period. Circumstances made continuation of distributions unacceptable.

The DRP and distributions structure was predicated on a stable equity market, and an improving share price based on the reducing risk profile of the asset as it neared completion.

The market we have today is obviously not the market anyone was predicting back in 2006.

In 2006, we saw ConnectEast operate a very successful DRP.

In that market with a similar DRP arrangement to that of RiverCity, ConnectEast's share price rose as construction risks reduced. 80% of investors participated in the DRP, and 20% opted for cash.

In that market, the assumptions we made regarding the operation of our DRP were quite reasonable. The assumptions were essentially the same as ConnectEast.

In fact to the best of my knowledge, most toll roads including the Eastern Distributor, M4, M5 West, and M7 have had equity valuations well above par during construction.

The market RiverCity Motorway operates in today is radically different.

Despite construction proceeding ahead of expectations and the project fundamentals remaining sound, the downturn in the market has heavily impacted our unit price.

The Group's continuing low unit price was resulting in substantially more units being issued under the DRP than expected and adversely affected the potential long term value, especially for those taking cash.

The cash component of distributions was to be funded primarily through the DRP underwriting facility provided by ABN AMRO.

At current market prices, the underwriting is an extremely expensive way to raise capital.

There are two other factors that added to the decision. The first is that the underwriting has an upper limit of no more than 3.25% of market capital. This means that a unit price of 60c or more is needed for the underwriting facility to cover the full 3c per unit called for.

At prices around the 26c prevailing at the last issue, the underwriting facility would provide for less than half of the 3c.

The second is the impact of using the underwriting in the current market with depressed demand.

The underwriters would normally try to sell the bulk of their anticipated holding into the market before, during and after the distribution period.

Prevailing turnovers have been low and a full sell down by the underwriter would have been impractical. As an example, had the Board elected to fund the last half yearly distribution using the underwriting facility an additional 55 million units would have been issued to the underwriter.

When you consider that the average daily turnover of our units has been approximately 1 million units, this volume of selling would likely chase down prices.

This downward pressure would have occurred every 6 months and may well have been quite severe.

Since the announcement of the distribution suspension, the market has fallen dramatically with the global crisis adding further to the need for the decision taken by Directors.

The long- term business

The Board's focus now is on the development of our long-term business over the life of our 45-year concession that started in 2006.

The Leighton Contractors and Baulderstone Hornibrook Bilfinger Berger Joint Venture is positioned to complete construction well ahead of the October 2010 target date, and RiverCity is well advanced with its system to manage toll collection.

The financial success of the company will be measured by its ability to attract traffic and control costs sufficient to be able to service debt and provide a return to investors.

Electronic tolling is convenient for users but maximum usage can only come with widespread installation of tags and a welcoming efficient system that also looks after the numerous motorists

who will use the road only occasionally and not have a tag. The Board is sharply focussed on this issue.

The original financial model for the road adopted an 18 month ramp up and forecast revenue sufficient to meet costs, service debt and exceed the financier covenants for release of distributions by the quarter ended December 2012. Actual conditions will determine if distributions start before or after that date.

Long-term and competitive debt arrangements

I should also touch on the debt arrangements RiverCity has in place given the critical nature of this to all businesses in the current climate.

RiverCity has fully underwritten and 100% hedged debt to cover the forecast costs to completion of construction.

The risk of any construction cost over-run was mitigated by the fixed-price contract and there are no current reasons to anticipate any over-run.

Similarly, the Company costs such as the toll development, insurance, salaries etc are all running in line with expectations.

The bank ratings of our syndicate banks continue to meet our project deed requirements. Therefore, we have the funding in place to complete construction and open to traffic.

On opening, the construction debt is replaced by fully underwritten term debt. This debt is hedged to 70%. Consequently whilst the quantum is assured, the Group is exposed to changes in interest rate for 30% of the facility.

The term debt remains in force until the need to refinance 50% in August 2014 (8 years after financial close) and the remaining 50% in 2016.

Positioning to secure refinancing in advance of the 2014 deadline will be a key focus for the Board after opening to traffic.

Governance and the Board

In establishing our business RiverCity Motorway has placed a high priority on establishing a set of objectives and guiding principles that underline our approach to corporate governance.

We have again included in the Group's Financial Report a corporate governance statement, which sets out these objectives and principles.

The Group's key corporate governance policies are also provided on our website.

In September 2008, the Group completed plans to acquire the Responsible Entity function.

Having external ownership of the Responsible Entity was always an interim arrangement.

Consolidation will simplify the Group structure for investor interaction and eliminate some of the inefficiencies of what was a two-step board governance arrangement.

I would like to thank all members of the Responsible Entity Board for establishing the Group's strong corporate governance framework.

I would also like to welcome the former Chairman of the Responsible Entity, John Barry, as a new member of the RiverCity Motorway Services Board.

Finally, I would like to acknowledge the contribution of Phil Garling who resigned from the RiverCity Motorway Services Board in July 2008.

Company management

I would like to recognise the important contribution our management team has made to the excellent progress over the past two years.

Our Chief Executive Officer, Flan Cleary, and his management team provide the Group with outstanding experience in the delivery and operation of toll roads.

This small, enthusiastic team remains focused on building the foundations of a successful toll road business from design and construction, through to commissioning, ramp-up and steady-state.

The Group has in place a strategy to appoint key personnel as our business development progresses.

Growing community support

I would like now to touch on the continuing community and stakeholder support for our toll road.

In 2007 and again in 2008 the group conducted telephone surveys of residents living north and south of the Brisbane River.

This research highlighted growing community awareness and positive attitudes towards our toll road.

2 in 3 people surveyed in 2008 believe our toll road will benefit the people of Brisbane. This was an increase of 10% from our survey in 2007.

The top 3 benefits identified by the residents we surveyed were:

- Reduced travel times
- Reduced congestion
- More efficient travel for heavy transport and business

This level of support is very positive when you consider our major marketing campaign will commence closer to opening.

Conclusion

In closing, 2008 has seen continued excellent progress with construction and business development but a disappointing market performance for the Group and our investors.

The adverse market conditions do not have any bearing on project delivery, which is continuing ahead of expectations.

- construction of the tunnel continues ahead of schedule;
- the tolling system and business operations are well advanced;
- Brisbane's population growth and employment growth are well ahead of the national average;
- traffic pressures are increasing every day; and
- community support for our road continues to grow.

On behalf of the Board, I would like to thank investors as we work towards establishing a successful toll road business that provides competitive, long-term returns to investors.